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# Organizational determinants of substantive sustainability reporting practices: the role of company-level fit

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## ABSTRACT

**As sustainability reporting (SR) practices have been increasingly adopted by corporations over the last twenty years, most of the existing literature on SR has stressed the role of external determinants (such as institutional and stakeholder pressures) in explaining this uptake. However, given that recent evidence points to a broader range of motives and uses (both external and internal) of SR, we contend that its role within company-level activities deserves greater academic attention.**

**In order to address this research gap, this paper seeks to provide a more detailed examination of the organizational characteristics acting as drivers and/or barriers of SR integration within corporate sustainability practices at the company-level. More specifically, we suggest that substantive SR implementation can be predicted by assessing the level of fit between the organization and the SR framework being adopted. Building on this hypothesis, our theoretical model defines three forms of fit (technical, cultural and political) and identifies organizational characteristics associated to each of these fits. Finally, implications for academic research, businesses and policy-makers are derived.**

**KEYWORDS:** sustainability reporting, sustainability management, reporting determinants, substantive, company-level fit.

## I. INTRODUCTION

Corporate adoption of sustainability reporting (SR) practices has dramatically increased over the last two decades. The percentage of G250 firms publishing a sustainability report has grown from 10% in 1992 to 95% in 2010 [1], [2], and the Global Reporting Initiative (GRI) guidelines have been adopted by more than 5000 organizations worldwide [3].

Recent surveys among practitioners [2], [4] point to a broad range of SR drivers, ranging from the external communication of corporate sustainability messages to the internal benefits of its implementation (such as greater innovation and learning opportunities). However, as most of the existing literature on SR has focused on the external factors (such as institutional and stakeholder pressures) explaining the *adoption* decision [5], [6], the internal dynamics of SR implementation remain poorly understood. In addition, given that formal adoption due to external pressures might remain decoupled from substantive implementation (i.e. integrated into everyday

organizational activities) [7], a greater understanding of this phenomenon could contribute to increasing the success of accountability standards [8].

This paper seeks to address this research gap by providing a more detailed examination of the organizational characteristics influencing SR contribution to company-level corporate sustainability efforts. More specifically, we suggest that substantive SR practices might be predicted by assessing three forms of fit (technical, cultural and political) between the organization and the SR framework being adopted [9]. In order to further develop our hypothesis, we provide a definition for each of these fits and identify several organizational characteristics associated to each of them.

The remainder of the paper is as follows. First, we briefly review the existing literature on SR, highlighting the relative research gap concerning the role of company-level characteristics in explaining its adoption and, more specifically, its implementation. Next, we develop our conceptual model depicting a positive association between three forms of company-level fit and substantive implementation of SR practices. Finally, we briefly discuss the implications of our work for academics, businesses and policy-makers.

## II. THEORY

There has been a vast amount of research addressing the corporate adoption of SR practices over the last forty years (see [10], for a systematic review). In seeking to understand why corporations would voluntarily disclose sustainability-related information, most of this research has privileged the role of SR as a means to achieve organizational legitimacy [5], [6], be it from strategic or institutional perspectives [11]. On the one hand, studies informed by a strategic approach to legitimacy have tended to highlight the role of managers in adopting SR as a means to create and manipulate social perceptions about corporate behaviour [5], [12]. On the other hand, neo-institutional approaches to legitimacy have in turn emphasized the influence of social and political developments, constraining and virtually forcing companies to adopt SR in order to maintain their license to operate [6], [13].

Yet, as recent academic [14], [15] and practitioner [2], [4] surveys highlight, companies seem to experiment a broader range of SR outcomes (see table 1), including the enhanced ability to respond to external pressures but also those linked to the integration of SR into sustainability management practices at the company-level.

TABLE 1: MOTIVES FOR SR FREQUENTLY CITED BY PRACTITIONERS  
(SOURCE: ADAPTED FROM PÉREZ-LÓPEZ ET AL., 2013)

Symbolic SR Outcomes	
Demonstrate compliance with local regulations and public norms	[4], [16]
Provide transparency to a range of stakeholders	[4], [6], [16]
Reputational benefits and credibility	[2], [4], [6]
Ability to communicate efforts	[6], [16]
License to operate and campaign	[6]
Substantive SR Outcomes	
Improve organizational performance	[4], [6], [16]
Improve collaboration across functions in the organization	[4]
Greater awareness of sustainability throughout the organization	[6]
Improve risk management	[2], [4]
Identify strategic opportunities	[4], [6]
Employee motivation	[2]
Innovation and learning	[2]

Despite such apparent substantive use of SR, academic studies addressing its implementation and outcomes at the company-level remain very limited [6], [17]. Indeed, only a few contributions [14], [18]-[20] have empirically examined the process of SR implementation taking place after the adoption decision, and identified some company-level factors affecting how it is internally used. For example, [18] described the development of a SR framework within an Australian company from an organizational change perspective, identifying the challenges and opportunities associated with its development and integration into planning and decision-making. [14] also described how different motives for reporting led to different SR configurations, acknowledging the influence of both institutional (macro-level) and operational (company-level) aspects concerning how SR frameworks were used.

Taken together, these studies have provided valuable insights about the internal dynamics of SR, highlighting how organizational characteristics shape (and are shaped by) its implementation and use. However, as their approaches have been rather descriptive and/or exploratory, a more integrated assessment of the organizational characteristics influencing substantive SR practices is still missing.

### III. CONCEPTUAL MODEL

As we focus on the determinants of SR integration into sustainability management practices, the broader literature on the adoption of voluntary management standards (such as ISO norms) can provide useful insights. Indeed, scholars from this area have highlighted how the adoption of such standardized frameworks can lead to very heterogeneous outcomes [21], [22], acknowledging the importance of more carefully examining the company-level circumstances surrounding their implementation and use [9], [22]. Given such apparent heterogeneity among companies concerning

standards' internal use, some scholars [9], [23] have argued that assessing the level of "fit" between the practice and the adopter might provide an explanation of its relative success or failure.

In order to provide a more in-depth examination of company-level determinants of SR practices, we follow Ansari *et al.* [23] characterization of three forms of fit, including technical fit, cultural fit and political fit. We expect that each of these forms of fit between the SR framework being considered and the adopter is positively associated with its substantive implementation (see figure 1). In addition to describing each of these fits and justifying their positive association with substantive SR practices, we identify related organizational characteristics that can be used in order to measure these three variables<sup>1</sup> (see table 2).

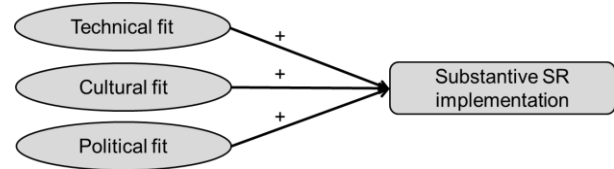


FIGURE 1: CONCEPTUAL MODEL (SOURCE: OWN REPRESENTATION)

#### Technical fit

Technical fit refers to the compatibility between the technical requirements of a practice and the technologies (and skills more generally) owned by the adopter. For example, specific technical features of a new management practice might need to be accommodated into existing systems. In addition, internal knowledge and capabilities would need to match the practice's specific prerequisites in order to substantively implement it.

In terms of the adoption of SR frameworks, a number of technical requirements are usually prescribed concerning the process of identifying, collecting and presenting information (for example, GRI defines the principles of "accuracy", "comparability" and "timeliness"). According to this, relevant dimensions of technical fit might involve the availability of sustainability-related information and the existence of suitable data collection and information systems. As previous research on the phenomenon of corporate non-reporting has demonstrated [24], technical barriers during the implementation of SR frameworks are one of the primary reasons for the decision of not to adopt SR practices. In addition to data collection issues, the ability to understand and evaluate the information generated through SR practices seems to be critical to its successful implementation. Indeed, empirical research has also shown that previous experience with other related standards (such as environmental management systems) facilitates the implementation of SR practices [20].

<sup>1</sup> A questionnaire is currently being developed based on these organizational characteristics and will be sent to a sample of reporting organizations in order to allow for empirical testing.

### *Cultural fit*

Cultural fit refers to the compatibility between the values embodied by the practice and the cultural traits of the adopter. From the practice side, management standards use to entail certain assumptions about what cultural values are desirable or not (i.e., individualism vs teamwork, transparency vs secrecy). From the company side, cultural fit involves corporate values, beliefs, communication styles, mission and philosophical orientation of the organization [23]. In addition, corporate culture might also be affected by supra-organizational factors, such as norms and values held at the industry level or broader cultural assumptions at the society level.

In terms of SR frameworks, the overarching principles of transparency and accountability constitute their most salient cultural values. Given this, the degree to which there exists an ethical culture [25] and the level of transparency (both towards external stakeholders and between different corporate areas) are key company-level characteristics expected to have a direct influence on the level of cultural fit experienced. Indeed, the role of the corporate culture and the firm's ethical values in SR adoption has been acknowledged by previous empirical research [17], [20].

### *Political fit*

Political fit refers to the compatibility between the normative elements of the practice and company-level management priorities and agendas. Indeed, management practices are rarely neutral from a normative perspective, and thus adopting a new management practice will usually affect the balance of power and interests within the company.

This might be particularly true in the case of sustainability management frameworks, given their more or less explicit reconsideration of some of the usual assumptions about how business should be conducted (for example, GRI principles of "stakeholder inclusiveness" and "sustainability context"). Indeed, existing studies [18], [20] have highlighted how the implementation of SR might create conflicts with other management priorities. Accordingly, assessing political fit might need to consider the degree to which SR adoption is rooted in proactive stakeholder and sustainability management practices, as well as whether SR is explicitly supported by top-management and other areas.

TABLE 2: ORGANIZATIONAL CHARACTERISTICS ASSOCIATED TO EACH TYPE OF FIT

Type of fit	Organizational characteristics
Technical fit	Availability of SR data Adequacy of data collection systems Employees' SR expertise
Cultural fit	Ethical culture Transparency and accountability (externally and between departments)
Political fit	Proactive stakeholder management CSR/Sustainability integrated into strategy SR supported by top management

## IV. DISCUSSION AND IMPLICATIONS

Despite limited academic attention to the internal dynamics of SR practices, evidence from practitioner surveys suggests that SR practices actually have a great influence on corporate sustainability efforts. According to this, our paper has sought to stimulate a more balanced approach to the study of voluntary disclosure practices, discussing the role of company-level characteristics in influencing its adoption and subsequent use. More specifically, we have developed a conceptual explanation of substantive SR practices involving three forms of fit (technical, cultural and political) between the SR framework and the adopter. In this sense, we expect that empirical testing of this model will allow to assess the overall link between company-level fit and substantive SR implementation as well as to identify specific organizational characteristics acting as barriers and/or drivers of that integration.

In addition, by considering the proposed conceptual model from a more aggregated perspective, questions also arise about how growing adoption of SR standards globally might be influencing its implementation at the company-level. Indeed, understanding the impact of current institutionalization processes of SR in terms of technical, cultural and political fit would be needed in order to fully disentangle the relationship between SR and sustainability management practices.

Concerning implications for businesses, companies (and CSR/Sustainability managers more specifically) might thus benefit from more carefully planning the adoption and implementation of SR in order to effectively strengthen sustainability management practices. In addition, as suggested by the role of the different forms of company-level fit, they might also need to develop different organizational capabilities in order to be able to substantively implement SR.

Finally, as influential policy developments are currently taking place in the field of SR (such as the proposal for a European directive on non-financial disclosure [26]), we believe that greater understanding of company-level circumstances surrounding SR implementation could provide useful policy insights. Given that these new frameworks will likely increase the number of reporting

organizations, understanding which kind of policies and tools could help overcome organizational barriers identified might be an effective strategy to significantly improve sustainability management practices.

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